

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (5/17): BUTTER: Grade AA closed at \$1.0975. The weekly average for Grade AA is \$1.0992 (+.0609).

CHEESE: Barrels closed at \$1.1550 and blocks at \$1.2000. The weekly average for barrels is \$1.1535 (-.0260) and blocks, \$1.1910 (-.0175).

NONFAT DRY MILK: Extra Grade closed at \$0.9400 and Grade A at \$0.8800. The weekly average for Extra Grade is \$0.9400 (N.C.) and Grade A, \$0.8800 (+.0060).

BUTTER: The butter market tone remains weak despite recent CME price increases. Churning schedules remain heavy throughout the country. The call for cream from ice cream operations is beginning to increase, but at a slow rate. Overall butter demand has improved this week to fair levels, a typical occurrence when cash prices start to firm after a sharp decline. Another factor that is improving demand is the upcoming Memorial Day holiday weekend and the unofficial opening of the summer vacation season. Stocks are reported to be fully available for all buyer interest.

CHEESE: The cheese market is mixed. Current interest is fair at best with many buyers holding back on orders until prices settle. A few firms are preparing June Dairy Month promotions and/or summer resort orders. Cheese production is seasonally heavy. Some plant operators are shifting production into more storable product like cheddar from shorter shelf life varieties.

FLUID MILK: Milk production patterns remain quite positive across the country with milk handlers in Southern areas indicating peak levels have been attained, while others report continued growth at levels ahead of last year at this time. In the Northeast, cooler/wet weather patterns prevailed through much of the week, although milk output was not adversely affected. Handlers indicate that milk volumes are heavy and manufacturing facilities are at or near capacity in most areas. A strike in the Mid Atlantic area continues to put added pressure on milk placement in that part of the country. In Florida and other Gulf Coastal states, hot temperatures are being reported which are causing the milk flow to decline from the seasonal peak and milk volumes are in better balance. In the Central part of the country, weather conditions are more typical of early spring with cool temperatures and wet conditions. In most instances, these weather patterns are not having negative effects on season production. Milk handlers feel that the peak has not yet arrived. In the Western part of the country, production trends are generally running ahead of last year at this time. In New Mexico and Arizona, 90 – 100 degree temperatures are occurring which may take the top off of the current production cycle. California's output is averaging 5 – 7% ahead of last year. Milk plants are running on extended schedules to process the incoming milk and less space is available for milk from other states. Plants in the Pacific Northwest continue to run on very heavy production schedules. The milk flow in Idaho and Utah is not quite as heavy as in other parts of the Western region.

DRY PRODUCTS: Nonfat dry milk markets are generally steady, although prices are mixed. Some Central producers are trying to push prices higher toward the support price of 90 cents as the anticipation of a tilt change has diminished. Current powder production continues to surpass demand, thus surplus volumes continue to clear to CCC. As of

May 10, the uncommitted amount of powder in government hands has surpassed the 1 billion pound level. Whey powder markets are weak. Domestic buying interest is slow in a weak market. Export interest is being reported, but prices usually have to be lower than most producers are willing to go to make the deal. Production levels are moderate to heavy throughout the country as seasonally heavy volumes of milk are diverted into cheese vats. Often, many operations have stocks at heavier than desired levels. Buttermilk powder markets are steady to weak with prices unchanged to lower. Demand is not overly aggressive with stocks reported to be in balance to somewhat heavy.

CCC: For the week of May 13 – 17, there were no details of purchases from CCC due to computer difficulties.

MARCH FLUID MILK SALES (AMS, CDFA): During March, about 4.4 billion pounds of packaged fluid milk products were sold in Federal milk order (FMO) marketing areas and California. This was 0.8% lower than March 2001. Cumulatively, for the first three months of the year, total fluid milk product sales are unchanged when compared to the first quarter of 2001.

MAY MILK SUPPLY AND DEMAND ESTIMATES (USDA, WAOB): Milk production in 2002/03 is projected to increase about 2% as higher output per cow more than offsets a reduction in cow numbers. Milk/feed price ratios are expected to remain near this year's level, which will help support gains in production. However, relatively lackluster demand for skim solids and a return to historical levels of growth in fat demand will forestall any price recovery. With the extension of the \$9.90 per cwt. support price, continued removals of nonfat dry milk (NDM) by the CCC are expected.

APRIL MILK PRODUCTION (NASS): Milk production in the 20 major States during April totaled 12.5 billion pounds, up 2.9% from April 2001. March revised production, at 12.8 billion pounds, was up 3.1% from March 2001. The March revision represented a decrease of 7 million pounds from last month's preliminary estimate. Production per cow in the 20 major States averaged 1,614 pounds for April, 43 pounds (2.7%) above April 2001. The number of cows on farms in the 20 major States was 7.75 million head, 12,000 head more than April 2001, and 8,000 head more than March 2002.

FEDERAL MILK ORDER ADVANCE PRICES HIGHLIGHTS (DAIRY PROGRAMS): Under the Federal milk order pricing system, the base price for Class I milk for June 2002 is \$11.03. This price is derived from the advanced Class III skim milk pricing factor of \$7.23 and the advanced butterfat pricing factor of \$1.1577 per pound. Class I differentials specific to each county are added to the base price to determine the Class I price. The Class II skim milk price for June is \$7.50 and the Class II nonfat solids price is \$0.8333 per pound. The following are the two-week product price averages: butter \$1.0643, nonfat dry milk \$0.8953, cheese \$1.2521, and dry whey \$0.1827.

2001 ANNUAL AVERAGE MAILBOX PRICES (AMS): For 2001, mailbox prices for selected reporting areas in Federal milk orders averaged \$14.77 per cwt., \$2.62 higher than the all-market average reported for 2000. Florida had the highest average price in 2001, \$17.61; Idaho had the lowest average, \$13.56.

****SPECIAL THIS ISSUE****

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**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

CHEESE: carload = 40,000-44,000 lbs., NONFAT DRY MILK: carlot = 42,000-45,000 lbs., BUTTER: carlot = 40,000-43,000 lbs.

PRODUCT	MONDAY MAY 13	TUESDAY MAY 14	WEDNESDAY MAY 15	THURSDAY MAY 16	FRIDAY MAY 17	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.1475 (N.C.)	\$1.1550 (+.0075)	\$1.1550 (N.C.)	\$1.1550 (N.C.)	\$1.1550 (N.C.)	+.0075	\$1.1535 (-.0260)
40# BLOCKS	\$1.2000 (+.0200)	\$1.1850 (-.0150)	\$1.1850 (N.C.)	\$1.1850 (N.C.)	\$1.2000 (+.0150)	+.0200	\$1.1910 (-.0175)
NONFAT DRY MILK							
EXTRA GRADE	\$.9400 (N.C.)	\$.9400 (N.C.)	\$.9400 (N.C.)	\$.9400 (N.C.)	\$.9400 (N.C.)	N.C.	\$.9400 (N.C.)
GRADE A	\$.8800 (N.C.)	\$.8800 (N.C.)	\$.8800 (N.C.)	\$.8800 (N.C.)	\$.8800 (N.C.)	N.C.	\$.8800 (+.0060)
BUTTER							
GRADE AA	\$1.1000 (+.0400)	----	\$1.1000 (N.C.)	----	\$1.0975 (-.0025)	+.0375	\$1.0992 (+.0609)

*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM **THE CME WILL BE CLOSED ON MONDAY, MAY 27 FOR THE OBSERVANCE OF MEMORIAL DAY.**

CHICAGO MERCANTILE EXCHANGE

MONDAY, MAY 13, 2002

CHEESE -- SALES: NONE; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.2000; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 5 CARS GRADE A @ \$0.9000
 BUTTER -- SALES: 18 CARS: 1 @ \$1.0700, 1 @ \$1.0725, 2 @ \$1.0800, 1 @ \$1.0825, 2 @ \$1.0850, 1 @ \$1.0875, 1 @ \$1.0925, 1 @ \$1.1000, 1 @ \$1.1050, 2 @ \$1.1000, 2 @ \$1.0950, 1 @ \$1.0975, 2 @ \$1.1000; BIDS UNFILLED: 7 CARS: 1 @ \$1.0900, 1 @ \$1.0850, 1 @ \$1.0825, 1 @ \$1.0800, 1 @ \$1.0650, 1 @ \$1.0625, 1 @ \$1.0000; OFFERS UNCOVERED: 3 CARS: 1 @ \$1.1050, 2 @ \$1.1100

TUESDAY, MAY 14, 2002

CHEESE -- SALES: 2 CARS BARRELS: 1 @ \$1.1600, 1 @ \$1.1550; 2 CARS 40# BLOCKS: 1 @ \$1.1800, 1 @ \$1.1900; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.1600; 1 CAR 40# BLOCKS @ \$1.1850
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 5 CARS GRADE A @ \$0.9000

WEDNESDAY, MAY 15, 2002

CHEESE -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 5 CARS GRADE A @ \$0.9000
 BUTTER -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 8 CARS: 1 @ \$1.1450, 1 @ \$1.1475, 2 @ \$1.1500, 2 @ \$1.1550, 2 @ \$1.1600

THURSDAY, MAY 16, 2002

CHEESE -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 5 CARS GRADE A @ \$0.9000

FRIDAY, MAY 17, 2002

CHEESE -- SALES: NONE; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.2000; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 5 CARS GRADE A @ \$0.9000
 BUTTER -- SALES: 9 CARS: 1 @ \$1.1000, 1 @ \$1.0850, 1 @ \$1.0800, 2 @ \$1.0725, 1 @ \$1.0700, 1 @ \$1.0750, 1 @ \$1.0725, 1 @ \$1.0950; BIDS UNFILLED: 1 CAR @ \$1.0975; OFFERS UNCOVERED: 3 CARS: 1 @ \$1.1175, 2 @ \$1.1200

BUTTER MARKETS**NORTHEAST**

The market tone is weak despite the rising price at the CME. Since May 6 (through 5/13), the cash price for butter has increased more than seven cents. The increases have some contacts wondering if someone is "in" the market to protect their growing inventory or to cover/hedge futures positions. To many in the trade, it is clear that current production and supply/demand scenarios do not warrant price increases. In the four trading session (5/6-5/13), 77 cars (approximately 3.25 million pounds) of butter have been sold. During that time, butter inventories in CME approved warehouses increased by more than four million pounds. In the East, churning activity is little changed, this week's cream demand seems to have improved. Bulk and packaged butter supplies are excessive of current needs. Demand for bulk is slow and packaged sales are just fair. Food service orders are not as brisk as they were at this time last week. Sales of bulk butter, f.o.b. East, are reported in a range of flat market to 4 cents over the CME price/average.

CENTRAL

Many butter producers and handlers are questioning the strength of the cash CME butter market during recent trading sessions. Most producers report heavy production schedules and, for the most part, output continues to surpass demand. Most producers are indicating that cream offerings remain heavier than they can fully utilize, but are now stating that ice cream production is starting to increase, thus absorbing increasing volumes of available cream. Butter demand has

improved during recent days as buyers that were absent from the market have now returned. Orders had been for short term needs, but recent orders are heavier. Producers and handlers are stating that although buyers are more aggressive in the market, orders are still classified as fair. Retail outlets continue to run favorably priced feature activity with food service orders heavier due to the upcoming Memorial Day holiday weekend and the unofficial opening of the summer vacation season. Bulk butter for spot sale is selling in a range of flat - 2 cents per pound over various pricing basis and often these prices are negotiable, especially if multiple loads are involved.

WEST

Western contacts are somewhat surprised at the strength on the CME cash market over the last few trading sessions. Most note that production is very heavy and stocks are growing at many locations. Demand for butter is being called good for this time of year. Production schedules are seasonally very heavy. The call for cream from ice cream operations is beginning to increase, but at a very slow rate. No one seems to understand why the season is so slow to develop this year. CME weekly butter stocks increased by 2.76 million pounds this past week and stand at 131.0 million pounds. Stocks have increased an average of 5.7 million pounds per week this year. Increases are noted during 19 of the past 20 weeks. Current prices for bulk butter range from 5 cents to 2 cents under market based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES
 U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	BARRELS 38% MOISTURE			
MAY 11	1.2344	1.2295	0.8974	1.0331	0.1841
	5,875,904	13,132,614	32,388,858	4,704,595	13,173,142

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Prices are generally lower as prices at the CME fell four consecutive trading sessions last week. The market tone is weak. Cheese output is heavy, as surplus milk supplies in the Northeast remain heavy. However, with demand reported as slow for most types of cheese, producers are a little reluctant to make more than their milk supply contacts will make. Cheese supplies are more than adequate for current needs. Retail sales are seldom better than fair and food service orders are slower.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	: 1.2700-1.7350
Cheddar Single Daisies	: 1.2275-1.6875
Cheddar 40# Block	: 1.3450-1.5575
Process 5# Loaf	: 1.3875-1.5725
Process 5# Sliced	: 1.4075-1.6850
Muenster	: 1.4300-1.6375
Grade A Swiss Cuts 10 - 14#	: 2.3500-2.5500

MIDWEST

The cheese market is weak. Current offerings exceed demand except for certain special varieties with limited production. Plant inventories are also growing. Current cash cheese prices at the Chicago Mercantile Exchange are about 10 cents above the comparable week in 2000 and well behind a year ago. At least a couple firms are preparing for June Dairy Month promotions and/or the reopening of summer resort areas. Process cheese is seasonal. Good processing solids remain tight. Most packagers are seasonally quiet. Current cheese production is steady. More plant operators are becoming reluctant to purchase spot milk without a discount due to sluggish manufactured product sales.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	: 1.3975-1.6100
Brick And/Or Muenster 5#	: 1.5500-1.7675
Cheddar 40# Block	: 1.5100-2.1150
Monterey Jack 10#	: 1.7400-2.1150
Blue 5#	: 1.9500-2.2800
Mozzarella 5 - 6# (Low Moisture, Part Skim)	: 1.5125-2.2150
Grade A Swiss Cuts 6 - 9#	: 2.0175-2.6850

MIDWEST COMMODITY CHEDDAR

Dollars per pound, standard moisture basis (37.8-39.0%),
carlot/trucklot, F.O.B. plants or storage centers.

CHEDDAR STYLES	: MAY 13 - 17, 2002
BARRELS*	: \$1.1800 - 1.1950 (NOMINAL)
	: (-\$.0300) (-.0325)
40# BLOCKS	: \$1.1800 - 1.2425 (NOMINAL)
	: (-\$.0425) (-.0250)

() Change from previous week. * If steel, barrel returned.

WEST

Natural and process cheese prices declined for the third consecutive week. Sellers are stating that they are seeing some additional buying interest as prices decline. Buyers seem to think that prices won't decline much further (they are within about a nickel of the support price). Therefore some end users are ramping up purchases in the short run. Processors continue to be more active in acquiring cheese. Some added interest is noted from natural cheese buyers. Contacts are commenting that storage facilities are filling up quite rapidly in the Western region. Swiss cheese sales activity for this time of year is being rated as very good. Sellers are somewhat surprised at the strength looking at the calendar, but they are not complaining. They believe that buyers may see current prices as a real incentive to stock up a bit before summer. Manufacturing schedules are heavy to process all the current milk supply. Southern areas of the region have been at peak output levels for an extended period of time while more northerly areas are just approaching the peak. Milk output is holding up quite well and conditions remain favorable for continued strong output.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	: 1.3300-1.5900
Cheddar 40# Block	: 1.3275-1.4675
Cheddar 10# Cuts	: 1.5075-1.7275
Monterey Jack 10#	: 1.5175-1.6825
Grade A Swiss Cuts 6 - 9#	: 2.3600-2.5300

FOREIGN

Prices are unchanged to lower and the market tone is steady. As U.S. cheese prices decline, there is a little more interest for domestically made cheeses. However, overall demand for foreign type cheese does subside during the summer. Also, lower U.S. prices tend to slow the demand for imported processing solids. Supplies of most types are adequate to meet current demand.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-3.1400	: 1.5725-3.0625*
Gorgonzola	: 3.2400-5.9400	: 2.0725-2.4900*
Parmesan (Italy)	: TFEWR	: 2.9875-3.0425*
Romano (Italy)	: 2.1000-3.1500	: -0-
Provolone (Italy)	: 3.4400-5.5000	: 1.5750-1.8000*
Romano (Cows Milk)	: -0-	: 2.7650-4.9450*
Sardo Romano (Argentina)	: 2.8500-3.2900	: -0-
Reggianito (Argentina)	: 2.6900-3.2900	: -0-
Jarlsberg-(Brand)	: 2.7500-3.6900	: -0-
Swiss Cuts Switzerland	: -0-	: 2.3500-2.5500
Swiss Cuts Finnish	: 2.6000-2.8500	: -0-
Swiss Cuts Austrian	: TFEWR	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-2.8900	: -0-
Gouda, Large	: 2.3900-2.6500	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

WEEKLY COLD STORAGE HOLDINGS - SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER : CHEESE	
05/13/02	59,627	: 130,415
05/01/02	52,956	: 126,129
CHANGE	6,671	: 4,286
% CHANGE	13	: 3

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	80	0	82	0	186
SOUTHEAST STATES	0	0	0	0	0	0

Regional Milk Market Administrators announced the following, April 2002 uniform prices: Northeast \$12.94, Mideast \$11.92, Southeast \$13.23, Florida \$14.93, and Western New York (a state order) \$12.46 at the base city or county in the orders. (For the Northeast, Mideast, and Western New York orders, statistical uniform prices are reported.) Milk production in the East ranges from lower in the Deep South to slightly higher in the Northeast. The weather is more winter-like than spring-like in some of the far northern areas. Heavy rainfall and localized flooding has been reported in some areas of the Middle Atlantic and Mid-South. This did cause some power outages and transportation problems. Hot weather in Florida and other Gulf Coast states has caused the milk flow to decline from peak levels and milk volumes are in better balance. However, most Southeastern schools will be recessing during the next two weeks and manufacturers who got a slight break this week, feel that they will be back to capacity operating schedules very soon. Currently, a few Southern operations are down to just weekend milk, but they are ready for more when it is available. In the Northeast, bottled milk sales are still slow and surplus milk volumes remain moderate to heavy. The strike continues and surplus milk volumes are heavy in the Middle Atlantic area. The strike is causing milk to "back up" into more plants that are helping the milk supplying plant as best they can. Some of the "displaced" loads are moving at distressed prices. Condensed skim sales are mixed, ranging from slow to fair. Class II prices are steady to lower as some suppliers are trying to move more wet solids than send them through dryers. Class III sales are steady at best and prices are unchanged, although more producers are trying to increase prices. Higher prices are meeting quite a bit of buyer resistance. The fluid cream market is mostly steady, but suppliers report improved Class II demand this week. Despite the improved demand, heavy volumes continue to move to local and Midwestern butter manufacturers. Spot prices are often lower as the weekly CME butter average did move lower last week, despite the butter price moving higher since May 8. Multiples did creep a little higher this week as demand picked up. Ice cream production is seasonal, but cooler than normal weather is having an impact on consumption, particularly soft serve. Cream cheese and sour cream output is fairly steady. Bottled cream and aerosol whipping cream production is improved as strawberries are coming in season. Churning activity is steady at heavy levels.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.2667-1.3913
DELIVERED EQUIVALENT ATLANTA	-	1.2563-1.3809 M 1.2875-1.3083
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.2771-1.3394

PRICES OF CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .9200-1.0250
NORTHEAST- CLASS III - SPOT PRICES	- .7500-.9600

M I D W E S T

Class I interest is little changed, moderate at best unless featured. Some handlers and bottlers are preparing for Memorial Day weekend as well as the closing of some schools/colleges for the summer. Many handlers are trying to secure manufacturing plant homes early for anticipated surplus fluid and cream volumes for the holiday weekend. Manufacturing plant schedules remain well above year ago levels in order to handle the milk offerings. Some plant operators are shifting their product mix in order to make products more in demand or more storable products. Reported spot milk prices range from \$1.00 under class to \$0.50 over class. Cream demand is spotty and demand is expected to slow late next week, as some operations will close for the long holiday weekend. Cream supplies remain surprisingly heavy for this time of year, as ice cream sales seem to have been affected by the generally cool May temperatures. Ice cream/

novelty features have been active to stimulate extra sales in some markets. Dips, sour and whipped cream production is active for graduation, holiday, and fresh fruit usage. Condensed skim prices range from \$0.90 - \$1.00. Current milk intakes are generally steady to slightly higher. Few plant operators have seen the usual May/seasonal increase in milk intakes usually associated with fresh grass/greenchop/haylage due to the cool, often wet fields. Corn and soybean planting, mainly east of the Mississippi, continues to lag due to wet fields.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	MAY 9 - 15	PREVIOUS YEAR
SLAUGHTER COWS	\$ 40.00- 45.00	\$ 42.00- 49.00
REPLACEMENT HEIFER CALVES	\$550.00-650.00	\$300.00-465.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	MAY 9 - 15	PREVIOUS YEAR
SLAUGHTER COWS	\$ 38.00- 47.75	\$ 43.00- 54.00

W E S T

Milk production remains heavy at levels above last year across the Southwest. CALIFORNIA milk production is strong at levels averaging 5 to 7% higher than a year ago. In the southern producing regions, output has moved nearly to peak levels for some processors, but is backing off some for others. Hotter weather conditions have had only a slight impact on production, but may be preventing a reaping of milk for the season. Milk plants are running on extended schedules to process the incoming milk and less space is available for milk from other areas. The imports of milk from nearby states have declined. Milk production is strong in the Central Valley with plants remaining full. Weather and feed conditions have been generally favorable and cows are busy making milk. Hay prices are trending lower as new crop alfalfa is hitting the market. Further north, milk intakes continue to increase and processors have to move milk and help others out to handle the volumes. ARIZONA production is holding fairly steady and processors are assessing the effects of recent high temperatures topping 100 degrees. Continued cooler nighttime low temperatures are mitigating the effects of the highs. Reports indicate milk volumes are 7 to 8% above last year. Plants are running well and handling local and other milk for processing. Milk production is mostly steady in NEW MEXICO, but at levels sharply higher than last year. Warmer temperatures in the 90's are causing some reduction in plant intakes and may take the top off the current production cycle. Feed prices remain favorable. The CME butter price rebounded 7 cents since midweek last week, but the bullishness did not carry into the cream markets. Cream offerings remain mostly heavy in the region with surpluses clearing to butter churns for processing. Fat tests are declining in milk supplies in the southern portion of the region which is helping keep the market better balanced. Western multiples are unchanged in the 105 to 122 range, F.O.B. Some additional interest is noted from ice cream producers, but not at levels that would be expected seasonally. Plants in the PACIFIC NORTHWEST continue to run on very heavy production schedules. Contacts are somewhat surprised at the size of the flush this year. Part of the issue is that there has not been much of a flush in the past few years. With product prices heading lower, many plant operators are not overly pleased with this turn of events. Production looks like it should remain heavy for the foreseeable future, as conditions are good for strong milk output. Feed is available at reasonable prices and there is not much weather stress. New crop hay harvesting is just beginning in the Columbia Basin. Hay should start showing up in the market by late next week. The harvest is 2-3 weeks later than normal. Dairy producers don't seem to be all that tight on current hay stocks. Heifer prices remain firm with good buying interest noted. The milk flush so far in UTAH and IDAHO is not quite as heavy as in other parts of the Western region. Most manufacturing plants are operating on extended schedules, but they still have capacity left. Conditions remain very cool. Hay growth is very slow with scattered frost setting stands back in different parts of the region. Continued herd expansions are keeping the heifer market firm. A number of smaller cheese plants have closed this spring forcing the affected milk producers to look for alternative outlets for their milk. Most have had little difficulty in finding a new buyer.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are unchanged to higher. Producers are continuing to push prices higher to the support level of 90 cents as the anticipation of a tilt change has diminished. Milk is being diverted away from bottling and into dryers due to school recesses. Seasonal peaks in milk production are being reported at some locations. Production of low heat is strong for the fair interest. Some buyers are seeking extra loads before prices rise to the support level. Inventories are generally in balance due to increased movement to the CCC. High heat movement is mostly contractual with some renewed spot interest.

EAST: Prices are mostly steady and the market tone remains weak. Producers report continued heavy production as milk supplies are nearing peak levels in the Northeast. And, with schools closing between now and mid-June, more surplus milk is expected to more than offset the declines in milk production. Eastern producers are balancing their stocks with sales to CCC. Those operations that do not offer to CCC seem to be "cleaned up" through May, but June's sales projections are unclear at this time. Buyers are still staying very current as many feel/hope the tilt will take place and they don't want to get caught with high priced inventory. Eastern producers are trying to maintain higher prices for new spot purchases, but they continue to meet resistance.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: .8900 - .9525 MOSTLY: .8900 - .9000

HIGH HEAT: .9300 - 1.0000

NONFAT DRY MILK - WEST

Western low/medium heat NDM prices are mixed. Prices are lower on the top end of the range and higher on the bottom end. The increase on the bottom is reflective of the current absence of discounted loads being sold by producers in the marketplace. There remains concern over a support price tilt following the signing of the Farm Bill this week. The bill extends the dairy price support program as well as continues the authority of the Secretary to "tilt" product prices. NDM production remains very heavy in the region as incoming milk supplies are strong at levels well above a year ago. Buying interest remains light and excess powder is cleared to the CCC. During the week of May 6 - 10, adjusted support program purchases totaled 25,975,215 million pounds of NDM with 20,839,305 pounds from the West. Uncommitted NDM in CCC inventories surpassed 1 billion pounds during this period. High heat prices are slightly higher on the top end of the range. Demand remains light. Drying schedules are limited even further because of the high demand on dryers to process milk.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: .8800 - .9600 MOSTLY: .8950 - .9000

HIGH HEAT: .9150 - .9400

CALIFORNIA MANUFACTURING PLANTS - NONFAT DRY MILK

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
May 10	\$.8995	12,327,314	8,131,580
May 3	\$.9008	14,882,544	8,830,980

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contracting sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY BUTTERMILK - CENTRAL

Prices are unchanged on a mostly steady market. Supplies are in balance to somewhat heavy. Those plants carrying stocks continue to await seasonal increases in demand associated with warmer temperatures and ice cream production. Dry buttermilk output is mostly steady for the light dry blend and ice cream interest. Condensed movement is mostly contractual and in good balance as custom drying activity is light.

F.O.B. CENTRAL:

.8000 - .9000

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are steady and the market tone remains weak. Eastern prices are nominal. There is little spot activity to test the market. Production is moderate as sales of liquid buttermilk are starting to improve seasonally. Dryer time is less of an issue at some plants, but others are running a lot of skim and have little time to dry buttermilk. Producer stocks are growing, which is typical for this time of year.

F.O.B. NORTHEAST:

.8300 - .8775

DELVD SOUTHEAST:

.8000 - .8800

DRY BUTTERMILK - WEST

Western dry buttermilk prices are trending lower in light spot trading. The market tone is weak. There are some comments that seasonal buying interest is beginning to show more promise, but pricing levels remain highly negotiable. Production schedules are sometimes being scaled back because processors need dryer time to handle NDM production. Buttermilk stocks are ample to heavy.

F.O.B. WEST:

.8200 - .8700 MOSTLY: .8400 - .8600

DRY WHOLE MILK - NATIONAL

Prices are lower and nominal. The market tone is unchanged. Little spot interest is reported and some Western producers report that exporting is, at best, difficult since world prices are generally below 60 cents. Production is light and plant stocks are closely balanced.

F.O.B. PRODUCING PLANT:

1.1500 - 1.2000

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 2001 THROUGH MAY 10, 2002
WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK — 68,201 MT (150,355,925 LBS)
This program-year's allocation is filled.

CHEESE — 3,030 MT (6,679,938 LBS)
This program-year's allocation is filled.

Allocations for the DEIP year beginning July 1, 2001: Nonfat dry milk — 68,201 MT; Cheese — 3,030 MT; Butterfat — 21,097 MT.

WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY - CENTRAL

Prices are lower on a weak market. Multiple load shipments are available at a discount. Unconfirmed trades at 15 cents are being reported and bids are trending below this level. Production is strong as seasonally heavy milk supplies are diverted into cheese vats. Condensed whey supplies are available yet at varying degrees of quality. Some plants are taking in extra condensed while others are seeking to sell excess supplies. Resellers are trading loads at a discount to the market. Some exporters are taking interest in US whey supplies and are considering buying for storage. Domestic trade is slow into feed and candy facilities.

F.O.B. CENTRAL: .1600 - .1750 MOSTLY: .1600 - .1700

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are mostly lower and the market tone remains weak. It may seem like a broken record, but producers and resellers continue to report little spot market activity. Reports of low-priced offerings have stimulated some interest, but buyers do not seem to be in any great hurry to buy whey. Export interest is reported, but prices usually have to be lower than most producers are willing to go, to make the deal. Production levels are moderate to heavy throughout the country. Eastern producers appear to be in the best supply/demand balance, but most do have spot loads to sell. A reseller reported purchasing product from another reseller at below-market prices and stated that that wasn't unusual, but having a customer for the whey was a pleasant surprise. Traders and producers are all commenting on how long-lived this slow market has been.

F.O.B. NORTHEAST:	EXTRA GRADE	.1650 - .1775
	USPH GRADE A	.1875 - .2050
DELVD SOUTHEAST:		.1925 - .2100

DRY WHEY - WEST

The Western whey market continues to have a weak undertone. Range and mostly prices range from steady to lower. Competition in export markets is getting more intense. To keep powder moving, prices need to continue to decline to meet the competition. Whey production this spring is heavier than many plants had assumed it would be. Therefore, many operations have stocks at heavier levels than desired. Domestic buyers are content to buy powder on an as needed basis because of the declining market. Western whey prices have not been as low as 15 cents since early in 1995.

NONHYGROSCOPIC: .1500 - .2000 MOSTLY: .1600 - .1750

ANIMAL FEED WHEY - CENTRAL

Prices are unchanged to lower. Trading activity on feed products is nominal. Milk replacer prices are lower and unlike the Extra Grade market, supplies are tight. Feed buyers are eager to buy lower priced milk replacer product before purchasing Extra Grade. Some roller ground producers are resisting price changes with the Extra Grade market as supplies are generally in balance with demand. Delactose prices are unchanged. Most trades are occurring at the lower end of the range for the fair interest. Some buyers have diverted their interest to lower per unit priced WPC. Production is mostly steady and inventories are in balance.

F.O.B. CENTRAL:	
MILK REPLACER:	.1500 - .1600
ROLLER GROUND:	.1625 - .1975
DELACTOSE (Min. 20% protein):	.3800 - .4150

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are unchanged to lower on a weak market. Excess condensed supplies are available. Feed buyers are generally not interested in excess supplies of condensed and 34% WPC producers are hesitant to run the loads through dryers due to the current market conditions. The WPC 80% market continues to firm, suggesting less competition for the WPC 34% feed market, yet New Zealand and off grade supplies are available for the light demand. With depressed NDM markets internationally, WPC 34% is often difficult to clear. However, renewed interest is noted from South America and China. Production is steady to seasonally higher. Inventories are in balance to long.

F.O.B. EXTRA GRADE 34% PROTEIN: .4975 - .5425 MOSTLY: .5125 - .5225

LACTOSE - CENTRAL AND WEST

Prices are unchanged to lower on a weak market. Offerings are heavy. Producers seeking to trade excess loads are looking to brokers. US prices are reportedly lower than EU prices, suggesting that excess supplies could be marketable into exports. Inquiries are noted from New Zealand, China, Taiwan and Indonesia. Domestic interest is light with some spot movement into feed and candy facilities. Production is steady to higher. Inventories are mixed with some plants reportedly in balance while others are tending to run long. Off grade supplies are readily available for the light interest.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .1500 - .2625 MOSTLY: .1600 - .2000

CASEIN - NATIONAL

Casein prices are unchanged, although the market tone is weak. Stocks of rennet and acid vary with acid the most limited. Casein users and suppliers do not foresee shortages in the near term. Some buyers and sellers are looking to third quarter needs. Early reports indicate that prices are lower. Domestic buyers are optimistic about the 300 million pounds of government owned NDM that has been made available for the production of edible casein or caseinate. The big question being asked is, at what price will the powder be sold. Some participants of the recent field test indicate that prices in the area of recent animal feed sellbacks are too high.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET:	2.2500 - 2.4000
ACID:	2.0500 - 2.3000

EVAPORATED MILK - NATIONAL

Prices and the market tone are steady. However, prices and the market remain highly competitive. With the abundance of low-priced milk, some producers, in an effort to gain market share, are quoting some very low prices to contract buyers. Other producers are meeting these low prices to maintain their market share. Some retail contracts are complete while others are still being negotiated. Production levels are heavy as producers take advantage of all the milk that is being offered to them. Demand is fair for this time of year. The Kansas City Commodity office announced the issuance of EVD-1, invitation 720 inviting competitive offers to sell to CCC 3,708,720 pounds of evaporated milk for delivery July - September 2002. Offers are due by 9:00 a.m. CST, May 20, 2002.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$19.00 - 33.00

Excluding promotional and other sales allowances. Included new price announcements.

MARCH FLUID MILK SALES

During March, about 4.4 billion pounds of packaged fluid milk products were sold in Federal milk order (FMO) marketing areas and California. This was 0.8 percent lower than March 2001. On an individual product basis, sales of whole milk, reduced fat (2%) milk, low fat (1%) milk, fat-free (skim) milk, and buttermilk decreased from March 2001. It is likely that the timing of the Easter holiday this year has had a negative impact on the change in sales from March 2002 compared to March 2001.

Editor's Note: This data also can be found at www.ams.usda.gov/dairy/mmos.htm.

**PACKAGED SALES OF FLUID MILK PRODUCTS IN MARKETING AREAS DEFINED BY
FEDERAL MILK ORDERS AND CALIFORNIA, MARCH 2002, WITH COMPARISONS ^{1/}**

Product Name/ Marketing Area (Order Number) ^{2/}	Sales		Change from:	
	Mar	Year to date	Previous Year	Year to Date ^{3/4/}
	Mil.lbs		Percent	
Whole Milk ^{5/}	1,533	4,504	-0.9	-0.1
Reduced Fat Milk (2%)	1,386	4,073	-0.7	-0.2
Low Fat Milk (1%) ^{6/}	741	2,195	-1.5	0.5
Fat-Free Milk (Skim)	669	1,951	-0.2	-0.2
Buttermilk	48	138	-2.5	-0.5
Total Fluid Milk Products ^{2/}	4,382	12,876	-0.8	0.0
Northeast (001)	836	2,430	-1.7	-0.2
Appalachian (005)	285	862	-4.3	-1.4
Southeast (007)	416	1,232	-1.6	-0.5
Florida (006)	250	738	-0.8	0.8
Mideast (033)	555	1,622	0.9	0.5
Upper Midwest (030)	375	1,104	-0.1	0.2
Central (032)	395	1,166	-0.4	-0.8
Southwest (126)	350	1,050	0.3	1.2
Ariz.-Las Vegas (131)	109	320	5.1	3.9
Western (135)	75	223	0.0	0.6
Pacific Northwest (124)	184	540	-0.8	-0.4
California (---)	552	1,587	-0.9	-0.6

^{1/} These figures are representative of the consumption of fluid milk products in Federal milk order marketing areas and California, and represent approximately 93 percent of total fluid milk sales in the United States. ^{2/} Sales by product are for all marketing areas combined. Individual marketing area data are for total fluid milk products. Total fluid milk products include the products listed plus miscellaneous products and eggnog. ^{3/} Percent changes have been adjusted for calendar composition. ^{4/} The year to date (through February) percentages for some of the marketing areas published last month were incorrect. The year to date figures shown this month reflect all corrections. ^{5/} Includes flavored whole milk. ^{6/} Includes flavored fat-reduced milk.

SOURCE: Monthly summaries of *Federal Milk Order Market Statistics*, AMS, USDA, and *California Dairy Information Bulletin*, California Agricultural Statistics Service and Milk Stabilization Branch.

MAY MILK SUPPLY AND DEMAND ESTIMATES*

Milk production in 2002/03 is projected to increase about 2 percent as higher output per cow more than offsets a reduction in cow numbers. Milk/feed price ratios are expected to remain near this year's level, which will help support gains in production. However, relatively lackluster demand for skim solids and a return to historical levels of growth in fat demand will forestall any price recovery. With the extension of the \$9.90 per cwt. support price, continued removals of nonfat dry milk (NDM) by the CCC are expected. Despite assumption of continued support for NDM purchases, recent heavy production of butter has resulted in lowering of the forecast price for Class IV milk in 2001/02. The Class III price forecast for 2001/02 is about unchanged. Weak class prices are expected to carry through in 2002/03 with all milk prices forecast at \$12.25-\$13.25 per cwt., slightly lower than 2001/02.

Item	2000/01 1/	2001/02 Projection 1/		2002/03 Projection 1/	
		April	May	April	May
SUPPLY		BILLION POUNDS			
BEGINNING COMMERCIAL STOCKS 2/	8.9	8.8	8.8	NA	8.6
PRODUCTION	165.2	168.4	168.7	NA	171.8
FARM USE	1.3	1.2	1.2	NA	1.2
MARKETINGS	163.9	167.2	167.5	NA	170.6
IMPORTS 2/	5.4	5.1	5.2	NA	4.8
TOTAL COMMERCIAL SUPPLY 2/	178.2	181.0	181.4	NA	184.0
USE					
COMMERCIAL USE 2/ 3/	169.1	172.6	172.6	NA	175.3
ENDING COMMERCIAL STOCKS 2/	8.8	8.3	8.6	NA	8.3
CCC NET REMOVALS:					
MILKFAT BASIS 4/	0.3	0.2	0.2	NA	0.5
SKIM SOLIDS BASIS 4/	6.3	6.3	7.7	NA	5.2
		DOLLARS PER CWT.			
MILK PRICES 5/					
CLASS III 6/	12.29	11.35-11.65	11.40-11.60	NA	10.80-11.80
CLASS IV 7/	13.88	11.50-12.00	11.35-11.65	NA	10.85-12.05
ALL MILK 8/	14.51	13.00-13.30	12.90-13.10	NA	12.25-13.25
		MILLION POUNDS			
CCC PRODUCT NET REMOVALS 4/					
BUTTER	0	0	0	NA	15
CHEESE	17	4	4	NA	6
NONFAT DRY MILK	525	535	660	NA	440
DRY WHOLE MILK	3	0	0	NA	0
	QUARTERLY 9/			ANNUAL 9/	
	2002 II	2002 III	2002 IV	2002	2003
MILK PRODUCTION	43.9	41.7	41.9	169.7	172.4
		DOLLARS PER CWT.			
ALL MILK PRICE 5/ 8/	11.90-12.20	12.00-12.60	13.00-13.90	12.45-12.95	12.25-13.25
CLASS III PRICE 5/ 6/	10.75-11.05	10.85-11.45	11.60-12.50	11.10-11.60	10.75-11.75
CLASS IV PRICE 5/ 7/	10.70-11.10	11.00-11.70	11.05-12.05	11.05-11.65	10.85-12.05

NOTE: Totals may not add due to rounding. 1/ Marketing year beginning October 1. 2/ Milk equivalent, milkfat basis. 3/ Includes commercial exports. 4/ Includes products exported under Dairy Export Incentive Program. 5/ Projections indicate a range of the average for the quarter or year. 6/ Federal milk order Class III price. 7/ Federal milk order Class IV price. 8/ Milk of average fat test. Does not reflect any deductions from producers as authorized by legislation. 9/ Calendar year basis projection.

* The World Agricultural Supply and Demand Estimates were approved by the Interagency Commodity Estimates Committee. The members for Dairy are: Shayle Shagam, Chairperson, WAOB; John Mengel, AMS; Authur Coffing, FAS; James Miller, ERS; and Daniel Colacicco, FSA.

SOURCE: "World Agricultural Supply and Demand Estimates," WASDE-386, World Agricultural Outlook Board, USDA, May 10, 2002.

MAILBOX MILK PRICES FOR SELECTED REPORTING AREAS IN FEDERAL MILK ORDERS AND CALIFORNIA, 2001 ANNUAL AVERAGES

For 2001, mailbox prices for selected reporting areas in Federal milk orders averaged \$14.77 per cwt., \$2.62 higher than the all-market average reported for 2000. On an individual reporting area basis, mailbox prices averaged higher in 2001 than in 2000 in all areas; the actual increases cannot be shown due to the change in areas for which mailbox prices were collected in 2001. Florida had the highest average price in 2001, \$17.61; Idaho had the lowest average, \$13.56. During the year, mailbox prices generally increased from January through September, in some areas rising more than \$4.00 per cwt., and then decreased through December.

Reporting Area <u>1/</u>	Mailbox Milk Price <u>2/ 3/</u>
	Dollars per cwt.
Northeast Federal Milk Order	14.95
Appalachian States <u>4/</u>	15.67
Southeast States <u>5/</u>	15.91
Florida	17.61
Ohio	14.83
Michigan	14.62
Wisconsin	14.65
Minnesota	14.53
Illinois	14.50
Northern Missouri <u>6/</u>	14.26
Southern Missouri <u>7/</u>	14.71
Corn Belt States <u>8/</u>	14.37
Western Texas <u>9/</u>	14.73
New Mexico	13.89
Idaho	13.56
Utah	13.71
Northwest States <u>10/</u>	14.29
All Federal Order Areas <u>11/</u>	14.77
California <u>12/</u>	13.89

1/ Information is shown for those areas for which prices are reported for at least 75% of the milk marketed under Federal milk orders. The price shown is the weighted average of the prices reported for all orders that received milk from the area. 2/ Net pay price received by dairy farmers for milk. Includes all payments received for milk sold and all costs associated with marketing the milk. Price is a weighted average for the reporting area and is reported at the average butterfat test. 3/ All figures are weighted annual averages using the applicable monthly prices and producer milk receipts for the respective area or group of areas for which the price is reported. 4/ Includes Kentucky, North Carolina, South Carolina, Tennessee, and Virginia. 5/ Includes Alabama, Georgia, Louisiana, and Mississippi. 6/ All counties to the north of Vernon, Cedar, Polk, Dallas, Laclede, Texas, Dent, Crawford, Washington, St. Francois, and Perry. 7/ The counties listed in 6/ and all those to the south of these. 8/ Includes Iowa, Kansas, and Nebraska. 9/ All counties to the west of Fanin, Hunt, Van Zandt, Henderson, Anderson, Houston, Cherokee, Nacogdoches, and Shelby. 10/ Includes Oregon and Washington. 11/ Weighted average of the information for all selected reporting areas in Federal milk orders. 12/ Calculated by California Department of Food and Agriculture, and published in "California Dairy Information Bulletin."

THE DAIRY SITUATION AND OUTLOOK

Milk Production to Increase

Growth in milk production is expected to slow a bit in 2003, as the effects of lower returns in 2002 and 2003 start to take hold. Even so, milk output is projected to rise 1-2 percent in 2003, following an increase of almost 3 percent in 2002. This extra production is expected to hold farm milk prices near 2002's reduced levels, even if dairy demand is able to shake off its current sluggishness.

Returns over concentrate costs are projected to drop almost a fifth in 2002 and are not expected to recover in 2003. Although pent-up expansion pressures are expected to sharply limit the effects of the lower returns in 2002, decreases in milk cow numbers are likely to sharpen in 2003. Milk cow numbers in 2003 are projected to decline almost 1 percent. Although milk-feed price ratios will also be much lower in 2002 and 2003, the ratios likely will be sufficient to encourage boosts in concentrate feeding and good gains in milk per cow. Milk per cow in 2003 is expected to rise more than 2 percent, following a 3-percent gain in 2002. If so, milk per cow by 2003 would be fairly well back on the long-run trend.

Strength in the general economy is expected to boost dairy demand in 2003—but dairy demand is not expected to recover fully from this year's weakness. Ingredient use of both milkfat and skim solids apparently has slipped this year, and an extended period of good general demand may be needed for recovery in dairy solids use in processed foods. Cheese demand in 2003 is expected to pick up, but growth is not projected to be as brisk as in recent years. Similarly, butter demand is expected to be better than in 2002 but not as good as in 1998-2001.

The newly enacted farm legislation authorizes extension of the support purchase program through 2007, with the support price remaining at \$9.90 per cwt. In 2003, growth in commercial use of skim solids is expected to reduce net removals but powder purchases are projected to stay sizable. On the other hand, removals of milkfat might increase slightly if weaker domestic butter markets result in the resumption of Dairy Export Incentive Program shipments of butter.

Average milk prices are projected to be about unchanged in 2003, following 2002's drop of \$2.25 per cwt. Milk prices in 2001 averaged \$15.05 per cwt, up \$2.65 from 2000 and only \$0.41 below the 1998 record.

DAIRY FORECASTS

	2002					2003
	I	II	III	IV	ANNUAL	ANNUAL
Milk cows (thous.)	9,105	9,090	9,075	9,060	9,085	9,005
Milk per cow (pounds)	4,643	4,825	4,600	4,620	18,690	19,145
Milk production (bil. pounds)	42.3	43.9	41.7	41.9	169.7	172.4
Commercial use (bil. pounds)						
milkfat basis	40.4	44.2	44.5	44.5	173.7	175.3
skim solids basis	39.2	41.7	42.5	41.8	165.2	171.0
Net removals (bil. pounds)						
milkfat basis	0.1	0.1	0.0	0.1	0.2	0.7
skim solids basis	2.7	2.1	1.6	1.1	7.5	4.8
Prices (dol./cwt.)						
All milk	12.57	11.90-12.20	12.00-12.60	13.00-13.90	12.45-12.95	12.25-13.25

Source: ?Livestock, Dairy, and Poultry Situation and Outlook?, LDP-M-95, May 15, 2002, Economic Research Service, USDA, Washington, DC. For more information, contact James J. Miller, (202) 694-5184.

APRIL MILK PRODUCTION

Milk production in the 20 major States during April totaled 12.5 billion pounds, up 2.9 percent from April 2001. March revised production, at 12.8 billion pounds, was up 3.1 percent from March 2001. The March revision represented a decrease of 7 million pounds from last month's preliminary estimate.

Production per cow in the 20 major States averaged 1,614 pounds for April, 43 pounds above April 2001.

The number of cows on farms in the 20 major States was 7.75 million head, 12,000 head more than April 2001, and 8,000 head more than March 2002.

APRIL 2002 MILK COWS AND MILK PRODUCTION, BY STATES

STATE	MILK COWS 1/		MILK PER COW 2/		MILK PRODUCTION 2/		
	2001	2002	2001	2002	2001	2002	% CHANGE FROM 2001
	THOUSANDS		POUNDS		MILLION POUNDS		PERCENT
AZ	140	140	1,855	2,020	260	283	8.8
CA	1,576	1,636	1,770	1,790	2,790	2,928	4.9
FL	154	151	1,475	1,420	227	214	-5.7
ID	360	381	1,740	1,740	626	663	5.9
IL	117	115	1,555	1,610	182	185	1.6
IN	152	152	1,435	1,485	218	226	3.7
IA	212	209	1,545	1,585	328	331	0.9
KY	128	123	1,180	1,240	151	153	1.3
MI	304	296	1,620	1,675	492	496	0.8
MN	515	490	1,495	1,515	770	742	-3.6
MO	148	138	1,265	1,325	187	183	-2.1
NM	261	295	1,760	1,815	459	535	16.6
NY	670	679	1,450	1,500	972	1,019	4.8
OH	261	260	1,390	1,470	363	382	5.2
PA	599	581	1,540	1,600	922	930	0.9
TX	332	310	1,435	1,580	476	490	2.9
VT	152	154	1,455	1,495	221	230	4.1
VA	118	120	1,380	1,400	163	168	3.1
WA	246	247	1,860	1,895	458	468	2.2
WI	1,295	1,275	1,460	1,480	1,891	1,887	-0.2
20 STATE TOTAL	7,740	7,752	1,571	1,614	12,156	12,513	2.9

1/ Includes dry cows. Excludes heifers not yet fresh.

2/ Excludes milk sucked by calves.

SOURCE: "Milk Production," Da 1-1 (5-02), Agricultural Statistics Board, National Agricultural Statistics Service, U.S. Department of Agriculture.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF MAY 13 - 17, 2002			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/01	SAME PERIOD LAST YEAR	WEEK ENDING 5/10/02	SAME PERIOD LAST YEAR
<u>BUTTER</u>							
Bulk						-0-	-0-
Packaged						-0-	-0-
Unsalted						-0-	-0-
<u>TOTAL</u>	DUE TO COMPUTER PROBLEMS IN THE KANSAS CITY FARM SERVICE					-0-	-0-
<u>CHEESE</u>							
Block						-0-	-0-
Barrel						-0-	-0-
Process						-0-	-0-
<u>TOTAL</u>	OFFICE, NO PURCHASE INFORMATION IS AVAILABLE FOR THE WEEK					-0-	-0-
<u>NONFAT DRY MILK</u>	OF MAY 13 - 17, 2002.						
Nonfortified						978,681,000	530,351,000
Fortified						46,391,000	37,731,000
<u>TOTAL</u>						1,025,072,000	568,082,000

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER MAY 31, 2001

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.; 3.5% - \$9.80

BUTTER Bulk \$.8548 per pound; 1# Prints \$.8848

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1839; Process Am. 2# \$1.2239

NONFAT DRY MILK Nonfortified \$.9000 per pound; Fortified \$.9100; Instant \$1.0575

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 04/27/02 & Comparable Week 2001

Regions* (000 HEAD)											U.S. TOTAL		% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK	SINCE JAN 1	WEEK	SINCE JAN 1
2002-Dairy	0.2	0.7	6.3	4.5	17.7	1.9	0.4	1.0	10.8	2.5	46.1	846.4	45.3	47.3
2001-Dairy	0.2	0.7	5.2	4.4	21.1	2.2	1.5	0.8	10.5	2.7	49.3	926.1	44.5	49.2
2002-All cows	0.2	0.9	8.3	13.0	26.9	13.2	15.9	3.6	13.8	5.9	101.7	1,790.6		
2001-All cows	0.2	0.9	7.1	16.1	29.8	14.4	17.6	5.0	12.9	6.7	110.7	1,881.7		

SOURCE The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III (2000-2001) AND BFP (1999) MILK PRICES, (3.5% BF, \$/CWT. FOR COMPARISON PURPOSES ONLY)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1999	16.27	10.27	11.62	11.81	11.26	11.42	13.59	15.79	16.26	11.49	9.79	9.63
2000	10.05	9.54	9.54	9.41	9.37	9.46	10.66	10.13	10.76	10.02	8.57	9.37
2001	9.99	10.27	11.42	12.06	13.83	15.02	15.46	15.55	15.90	14.60	11.31	11.80

FEDERAL MILK ORDER CLASS PRICES FOR 2002 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	11.96	11.95	11.62	11.47	11.26							
II	12.69	12.28	12.19	11.88								
III	11.87	11.63	10.65	10.85								
IV	11.93	11.54	11.42	11.09								

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfm0s/mib/cls_prod_cmp_pr.htm